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April 8, 2006

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street & Constitution Ave., NW
Washington, DC 20551

Dear Ms. Johnson:

Re: FRB Docket No. OP-1246

As a community banker, I am writing regarding the proposed guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices.

Community banks historically underwrite their CRE loans conservatively. They are close to their customers and have a good understanding of the borrower's financial condition and the local economy in which they are lending.

The existing risk management practices and regulatory guidelines are adequate to address the needs of the majority of banks. Unsafe practices by certain banks should be addressed on a case-by-case basis, and not by sweeping regulatory changes across the industry.

The proposed guidance is unfairly burdensome for community banks that do not have opportunities to raise capital or diversify their portfolio to the extent that larger regional banks can. The CRE portfolios of many community banks have grown in response to the needs of their community. If community banks are pressured to lower their CRE exposures, their ability to generate income and more capital will be constrained and they will lose good loans to larger competitors.

The proposal's recommendations regarding management information system reports will be particularly costly and burdensome to community banks; the costs will most likely out weigh the benefits for smaller banks.

For these reasons, I urge you not go forward with the guidance as it has been proposed. Instead, regulators should use the regulatory tools already in place to identify and address CRE lending risks where they truly exist and abandon the proposed thresholds that are too restrictive and misleading.

Sincerely,

Brenda P Wallace

Brenda P. Wallace
Senior Vice President

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